# *Chapter 10*

# *Conclusions*

> *"To successfully transform the government's philosophy from an inefficient, command and control mindset to one of facilitation and partnership will take considerable leadership and political will. Workers will need to be retrained, incentives will need to be revamped, agencies will need to be eliminated, and procedures will need to be revised."* *Investor Roadmap of Tanzania: Assessment of Progress* *(1998)*

**Why the Enthusiasm?**

Although the first, or analytical, stage of the Investor Roadmap has been conducted in over 20? countries, the process workshops have been carried out in only ?? countries, while the implementation stage has taken place in only one country to date – Tanzania. In this sense, the Roadmap is still an unproven approach, and only an measured success. Nonetheless, there is immense enthusiasm for the Roadmap within USAID in particular, and in many of the countries where Roadmaps have taken place. The Director-General ? of COMESA – the … -- has called it [get cite]. Similarly, [ name and title ] has said the Roadmap shows that USAID is "on the cutting edge in applying micro-economics in the Third World." (get quote from GM) What accounts for the widespread enthusiasm over the Roadmap, which is not yet a fully tested methodology?

Several factors account for this enthusiasm. One, and most importantly, is that the Roadmap *works*. Roadmap exercises have resulted in important and observable results in a relatively short period of time *(see Box 10.1)*. These results have occurred in a variety of countries across several continents. They are particularly exciting by typical development standards – where results are frequently measured in years, rather than months. These results enthuse both donors and governments, and make sustainable change seem possible.

Two, the apparent simplicity of the Roadmap means it is easily understandable. Because it is so comprehensible, the Roadmap has captured the imagination of many government officials and development practitioners. Grant Morrill, of USAID's Global Bureau, which has funded (of co-funded with FIAS) most of the Roadmaps conducted to date, says that "conceptually, the Roadmap packaged itself," in that the concept could be explained to anyone in "two minutes."[1] This simplicity explains why U.S. Ambassadors and two Presidents of African nations have contacted Morill's office to ask that the Roadmap be conducted in their countries. This type of high-level intervention does not typically come in pursuit of most USAID development efforts.

Three, the Investor Roadmap provides a feasible answer to a highly topical development concern – how to raise the level of investment in developing countries. The Roadmap not only convincingly answers governments' questions as to why such investment is not occurring – because the country's administrative procedures are too complex and burdensome – but supplies a way to address that problem. In addition, because the Roadmap is a comprehensive package of activities -- it both analyzes the problem and assists governments in resolving that problem – it is an easy "entry point" for USAID missions that wish to do something about foreign investment, but do not know exactly how to start.

Four, for USAID, which has warmly embraced the Roadmap approach, the Roadmap dovetails neatly with the Agency's current objectives and resource availability, and fills a gap in the Agency's strategy. Beginning in the mid- to late-1980s, USAID was actively pursuing a trade and investment strategy. Under this strategy, USAID provided assistance to countries to revise their investment laws and adopt investment promotion policies; to implement export promotion schemes such as export processing zones (EPZ) and other export mechanisms; and to revise customs procedures and other institutions and policies necessary to support export growth, among other activities.

This strategy was "blown out of the water" in 1992, when the U.S. Congress passed Section 599 of the Foreign Appropriations Act. In an effort to protect U.S. jobs, this legislation prohibited U.S. assistance in support of free zones or EPZs, as well as any investment promotion activities that might lead to a loss of U.S. jobs. As a result of the widespread publicity and adverse attention that USAID received as are a result of its support to EPZ programs, the agency "lost its appetite" for any initiatives related to trade and investment.[2] The Investor Roadmap, by focusing on second tier constraints to investment, filled this gap in the USAID repertoire because it offered a way to assist market-oriented countries without exporting U.S. jobs. Moreover, by reducing administrative barriers to investment, the Roadmap helps to pave the way for U.S. investors (among others). This neatly corresponds to the Clinton Administration's focus on reducing barriers worldwide to U.S. exports and investment.[3]

Five, the Roadmap is an inherently flexible product. As Grant Morrill points out, the Roadmap is a superb tool for "hugging local realities." This adaptive characteristic of the Roadmap is seen in many aspects: the selection of an institutional sponsor or sponsors; the decision of whether or not to use media; the degree of confrontation used in the presentation or report findings; the types of topics chosen for the process workshops; and the varying facilitative techniques and level of detail used in the process workshops. In these and countless other way, the Roadmap is adjusted to the dynamics of the local context, including the needs of the government and the donor agency and resource availability. Morrill calls this "self-adjusting feature" one of the Roadmap's key strengths.

Finally, the Roadmap is appealing to the host government because it actively encourages to assume government ownership of the process. Facilitating government ownership of the Roadmap findings and solutions is not just a technique to make governments feel good about the process, but is an essential ingredient in the Roadmap's success or failure in a given country (insert a Box describing lack of ownership and resultant failure in South Africa??). For governments that truly wish to reform, this ability to assume ownership of the reform process is a very attractive one.

## Necessary Conditions for Success

While the list of achievements in Box 10.1 shows that Investor Roadmaps have led to concrete results in many countries, there are many things that the Roadmap cannot do. Some of these "lessons" are true for other developmental approaches as well, while some are unique to the Roadmap itself. These are:

*1. In order for the Investor Roadmap to be truly effective, there must be sufficient political will to implement reforms.* Like other types of development interventions, the Roadmap cannot lead to reform if the governmental will or leadership to bring about change is lacking. As noted by Jackie Coolidge, FIAS Task Manager for the Latvia Roadmap, Roadmaps are inappropriate for

***Box 10.1: Procedural Changes and Other Reforms Resulting from the Roadmap Process***

**Namibia:**

- The new application process for prospecting licenses has reduced delays for mining investors from 20 months to 3 weeks.

- The Companies Act has been amended to eliminate discrimination against female entrepreneurs

**Ghana:**

- Shipper’s Council approval is no longer required for international shipments, thereby eliminating one step in the import clearance process

- Multiple physical inspections of containers have been replaced with a random inspection system

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countries that are just "going through the motions" on reform and which might be "accepting donor advice but on the ground is determined to carry on with business as usual."[4] In these countries, says Coolidge, the Roadmap will just be an empty consulting exercise.

The necessity of political will and leadership is necessary in all procedural levels. During the customer training courses conducted in Namibia for officials from seven governmental agencies, it became evident that "there was clearly a correlation between the agency or organization's focus on customer service and the impact the course had on participants." That is, participants were more likely to try to apply their customer training on the job, if that agency's management had introduced and stressed the concept of customer service throughout the organization. By contrast, participants "faced with an unsupportive environment abandoned their efforts early on."[5] Clearly, there must be support throughout the government for the concept of customer service if customer service training sessions are to have an effective impact.

*2. "First tier" or macroeconomic policies must be reformed before the Roadmap is introduced.* The Roadmap is designed to address those procedural or administrative constraints that deter investors. The first step towards attracting investors, however, is getting the macro policies "right" – that is, correcting macroeconomic imbalances such as inflation and overvalued exchange rates; undertaking privatization and other policies that "level the playing field" for private enterprise; adopting favorable investment codes and incentives; etc. Addressing second tier, bureaucratic obstacles will be of little use if these first tier problems have not been corrected. While the elimination or reduction of administrative constraints will help retain potential investment, these improvements are necessary to attract the investor in the first place.

*3. The Roadmap should be supplemented by other types of organizational and institutional reform.* Many of the problems that the Investor Roadmap encounters occur as a result of poor organizational design. Effective investment promotion organizations, for example, need proper organizational structures; for example, proper promotion and compensation systems that reward employees who are successful at bringing in, or "landing" investment. The Roadmap mechanism addresses the procedural system, but not the organizational one. In this way, the Investor Roadmap supplements other types of organizational reform, and in the absence of these types of other reforms, the full benefits of improved procedural practices will be not fully realized.

Likewise, other types of institutional reforms are still necessary to help developing countries perform and regulate more effectively. The Investor Roadmap can help ensure that the Ministry of Mines issues mining licenses more expeditiously. From a customer's perspective, and from the perspective of attracting foreign investment, that is important. It is equally important from a broader *national development perspective,* however, that the Ministry also effectively regulate mine and environmental safety. This is an area of institutional reform that lies outside of the Roadmap's customer- and procedural-focused approach.

*4. Similarly, basic resource or infrastructure deficiencies must also be addressed.* The Roadmap does not eliminate the need for other types of development assistance. Once a Roadmap is complete, governments will still continue to suffer from insufficient resources – lack of computers, insufficient vehicles, inadequate budgets – and these will affect the ability of government agencies to respond to the needs of their customers. Although one of the Roadmap's strengths is that it identifies changes that can be made within the scope of existing resource constraints, this does not mean these resources do not need to be augmented.

In Namibia, for example, a memorandum summarizing the impact of the Roadmap customer training sessions noted that “government employees are often constrained by inadequate facilities including poor offices, inadequate computer technology, and archaic phone systems. Most of the expectations of typical “customers” cannot be met if telephones have no capabilities to hold or transfer calls. Clearly, upgrades in government technology are integral to any efforts to improving service.”[6]

Similarly in Tanzania, where the government has introduced a large number of procedural reforms since the 1996 Investor Roadmap, resource inadequacies are undermining the ability of various government agencies to implement Roadmap-generated reforms. These inadequacies include an inadequate communications capability, a lack of computer hardware and software, and an insufficient number of trained personnel. The impact of the country’s inadequate resources is being felt in the following ways:

- The Department? of Immigration requires access to technology and communications to improve its delivery of work permits. Improved access to technology is necessary to enable Immigration to monitor work permits and reduce opportunities for corruption.

- The Ministry of Lands requires dramatic upgrades to its technology and personnel for planning and surveying. The Ministry of Lands is symptomatic of many other government departments that have gone through severe personnel cutbacks – they do not have the excess capacity of people to embark on projects such as computerizing the database of existing lands.

- The Company Registry has made significant strides to change its structure, but it still does not have the facilities or the technology to properly manage its database of companies. It lacks the communications capacity to create satellite offices to serve those investors not located in Dar es Salaam.

- The Tanzania Revenue Authority lacks the technology and personnel to adequately collect revenue and value imported goods properly.

- The Tanzania Investment Centre has not been able to implement its new charter due to facility and technology constraints.

While the Investor Roadmap can help to ensure cumbersome bureaucracies do not impede investors, the Roadmap cannot address the weaknesses that impede the ability of these agencies to serve their customers.

*5. The Investor Roadmap needs to be supplemented by effective investment promotion and investor targeting policies.* The Investor Roadmap identifies administrative constraints to investment and enables the reduction or elimination of those constraints. The Roadmap, therefore, ensures that bureaucratic impediments will not impede potential investment flows.

The Roadmap does not address, however, the practices and conditions that encourage that flow of investment in the first place; rather it ensures that such investment is not deterred once the investor arrives in country. To attract FDI, it is equally important that both the political and macro economic climate, as discussed above, be conducive to investment, and that the government have in place effective investment targeting strategies. These strategies pre-select what types of investment are likely to be attracted to the resource characteristics of a country, and then identify specific firms in those probable countries and sectors of interest. Investor targeting gets the investor to the country; the Investor Roadmap helps to ensure that the investor stays once he arrives. The two go hand in hand, but conducting a Roadmap exercise does not obviate the need for effective investor targeting.

*7. Upgrading customer service and eliminating red tape are interlinked.* Procedural and regulatory barriers frequently make it difficult for otherwise well-meaning employees to satisfy the need of their customers. To the extent that such "red tape" continues to exist, it will undermine efforts to improve the customer service skills of government employees. This circular linkage indicates that efforts to achieve improved procedures and more effective customer service must be closely linked.

8. *Finally, although implementing an Investor Roadmap does not eliminate the need for other types of policy reforms, it is an important contributor to those other reforms*. The Investor Roadmap introduces a new concept to development economics by focusing on the customer and the procedures faced by that customer. The importance of achieving these second-tier types of reform is indicated by the success of countries such as Hungary, Chile, and Malaysia in attracting FDI. Despite their diverse backgrounds and somewhat different approaches in structuring their investment climates, each of these countries has taken significantly greater strides in eliminating procedural impediments to investment than have their neighboring competitors.[7]

This was done through a calculated and linked approach that targeted likely sources of investment and ensured that administrative and other barriers to such investment were eliminated. Each of these countries has also seen significant levels of FDI and economic growth. While these countries' success in attracting FDI is also related to improvements in the laws, policies, human capital, and infrastructure, these results indicate that eliminating bureaucratic impediments is one area of improvement that is characteristic of nations that have been successful in attracting investment.

Clearly, achieving greater procedural simplicity alone does not eliminate the need to improve policies that also have a negative impact on the investor, or which make a country's investment climate uncompetitive with other countries. These other areas include addressing the legal environment protecting investors; rationalizing and lowering rates of taxation; developing viable dispute resolution processes; establishing a system of clear property rights; and adopting a favorable incentives regime; among others. Some of these are general governance issues, and others relate more directly to the quality of the investment climate. Both are important.

**Future Challenges**

Despite its numerous achievements and clear potential, the Investor Roadmap is still in many ways a transitional and unproven mechanism for achieving long-term and sustainable change. While the Roadmap's analytical and motivational capabilities have been clearly demonstrated, and the process improvement workshops have led to identifiable, albeit largely discrete, procedural reforms, the prospect of creating widespread reform in the final stage is yet to be realized. The Roadmap is too young a product for many countries to have reached this stage. Accordingly, caution must be exercised when predicting either the success or failure of the Roadmap as a mechanism for achieving long-term reform.

In Chapter 1, the question was raised as to whether the Roadmap is a "new paradigm" for development. There are five reasons to indicate that expectations regarding the developmental impact of the Roadmap should be tempered. These are:

1*. It is unrealistic to expect the Roadmap to achieve truly significant and wide-ranging reforms in such a short time frame.* The bureaucratic culture in most countries has taken many years to create, and undoing or reengineering that culture may take almost as long. As Barry Camson, TSG's long-term advisor in Tanzania notes, if a "highly effective U.S. corporation [expected] to change its work processes and corporate culture in a few weeks or months," he would tell them that this expectation was entirely unrealistic. Most developing country governments are not highly effective, however, nor is their motivation to change as strong as a company's desire to reengineer itself so to be more profitable. Achieving widespread change in a developing country context -– where it can take two months to organize a 3-day process workshop, and where economic or other vulnerabilities can easily derail the process – is highly difficult and requires a sustained and long-term effort. Sustained and long-term effort, however, are not typically something in which donor organizations, consultants, or governments excel.

*2. The Roadmap may not be radical enough to truly make governments more efficient in the long-run.* While the Investor Roadmap borrows the focus on the *process* from the reengineering school of thought, it concentrates on modifying or improving that process, rather completely reengineering it. While process improvement is less disruptive and has a greater likelihood of success, such "tinkering around the edges" may not result in substantive reform.

Reengineering advocates such as Hammer and Champy emphasize that true reengineering may necessitate radical and fundamental changes: "reengineering means doing <u>more</u> with less." While they argue that reengineering is not the same as restructuring or downsizing ("doing less with less"), the outcome of doing more with less means that resources are inevitably freed up for other uses.[8] Since the government in many developing countries has frequently been the employer of the last resort, most public sectors are larger than their counterparts in the developed world.

The Roadmap deliberately seeks to identify procedural and incremental changes that can simplify policies without requiring major institutional shake-ups or layoffs. This is politically pragmatic, given the sensitivity of such layoffs, but it also properly a government's decision, not a consultant's. As a consequence, while procedural simplifications may free up personnel from processing forms and enable their deployment to a customer service position, it does not involve a net reduction in the size of government. Nonetheless, perhaps the logical counterpart to reducing procedural complexity and eliminating redundancy ("doing more"), should be a reduction in the number of employees required and the size of government ("with less").

This will be even more true if information technologies are introduced to improve data management tasks (e.g., maintaining land registries) that are currently conducted by hand. The customer-service focus of the Roadmap, while instructive for showing governments how to deal with customers; is silent on how to deal with institutional questions such as manpower levels. If long-term governmental effectiveness requires a reduction in government, the Roadmap is the wrong tool for achieving that goal.

4. *The impact of the Roadmap on making bureaucracies more efficient can be undermined by "tightfisted" donor agencies.* The Roadmap is attractive in part to agencies such as USAID because it fits neatly with current thinking in the U.S. Government and the U.S. Congress. The Roadmap's focus on enabling foreign investment flows is consistent with the current focus in Washington on letting private investment, particularly foreign investment, act as the engine of economic growth in the developing world. While relying on private investment to generate to economic growth is empirically sound, and is a needed correction after the heavy-handed and failed attempts in the past to generate government- or donor-driven economic growth, it is also convenient. In an atmosphere of tight budgets, relying on investment-led growth also means that fewer taxpayers' dollars have to be devoted to development assistance. The Roadmap, therefore, is well suited to this era of "development on the cheap."

Creating the conditions for development to occur, however, still requires financial resources – well-directed and tightly targeted resources to be sure – but resources nonetheless. As discussed above, the ability of government investment bureaucracies to respond to a customer's needs in a timely manner, and in a fast enough manner in this ever-accelerating, computer-driven world, will require adequate infrastructure such as telephones, computers, software for the electronic processing of applications; etc. While it is senseless to provide such hardware before making procedural reforms, governments will need such resources to ensure that such reforms are truly effective. If donors fail to recognize this corollary requirement to effective procedural reform, then much of the potential impact of the Roadmap may fail to be realized.

Equally important, the Roadmap approach may be incompatible with donor assistance patterns. As discussed in this book, developing and maintaining governments' motivation for change is a critical component of the Roadmap. Donors, however, tend to fund projects in increments so that they can see the results and assess whether they want to commit further resources. In the context of the Roadmap, this frequently leads to funding that is limited to conducting the analysis and the process workshops. There is then typically a gap of many months while missions debate whether to proceed with the long-run implementation stage. In the interim, critical momentum is lost and governmental motivation lags. This lost momentum slows the start-up of activities under the implementation stage, and undermines their effectiveness.

*5. The Investor Roadmap may be inadequate in stimulating the flows of FDI that developing countries are seeking.* A variety of factors are involved in an investor's decision to invest. While the Roadmap is a cost-effective and useful approach to addressing administrative constraints, and it achieves real results that are worth doing, this may be all that Roadmap does. In this sense, the Roadmap is necessary, but not sufficient, to enable most developing countries to reap larger investment flows. To the extent that the Roadmap's potential is over-sold, it runs the risk of creating disillusionment aimed not only at donors, but at the very concept that attracting foreign investment is a sound policy.

These limitations indicate that the Roadmap's potential for achieving fundamental and dramatic change should not be exaggerated. The Roadmap is clearly an approach to creating change, but it is not a substitute for other approaches to development or for broader-based reform. What the Roadmap does represent is a thorough and analytical approach to creating discrete, highly focused, and frequently technical, change. The impact of any of the procedural changes resulting from the Roadmap will probably not have the same impact on future investment flows as can major policy reforms such as a devaluation of exchange rates, but by the same token, they are a lot easier to implement. Quite simply, the Roadmap is a useful tool, but it is just one more tool in the developmental toolkit – it is not revolutionary, it is not radical, but it **is** effective.

**Next Steps**

While final conclusions will have to wait on the ultimate success or failure of the Investor Roadmap in generating substantive change in the way that investment bureaucracies do their business, it is possible to envision the next chapter in the development and use of the Roadmap approach. The strength of the Roadmap as a diagnostic tool is widely recognized, and if used creatively, could be successful in addressing other topical areas in development. These could include:

> **Women in development (WID)**: Nearly all donor agencies have a WID focus that incorporates gender aspects into other activities and projects. A Roadmap approach could be used to examine procedural aspects that negatively impact women in key areas; for example, purchasing a home, acquiring farmland, the use of collateral and access to credit, etc.
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> **Decentralization:** Many development projects include a focus on decentralizing central government functions to municipal, town, or local community levels. The Roadmap approach could be used to identify and analyze processes which are currently centralized, but which could be carried out a decentralized level.
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> **Development of rural non-farm enterprises (RNFEs)**: A number of USAID Missions have included a focus on the development of RNFEs to strengthen economic growth in rural areas. Most RNFEs are small- and medium-sized enterprises that are particularly adversely affected by burdensome regulatory or business establishment practices. A rural-focused Roadmap could be used to identify administrative and other procedures that compel these enterprises to remain informal, and which constrain their long-term growth and expansion.
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> **Improved agricultural exports**: In many countries, particularly in Africa, the importance of the agricultural sector as a source of employment and livelihood means that an expansion of agricultural exports can be an important contributor to long-term economic growth. An agricultural-focused Roadmap could evaluate physio-sanitary requirements; licensing procedures; regulations governing the sale, transport, packaging, and export of agricultural products; and other procedural requirements do not pose a constraint to the growth of this sector.

Finally, wider application of the Roadmap approach to administrative impediments can be an important step to addressing “third tier” constraints to development such as the lack of skills, poor access to capital and technology, and other weaknesses affecting entities at the firm and farm level. The Investor Roadmap focuses on second tier administrative constraints that impede investors. In fact, however, there are a wide a variety of second tier obstacles that inhibit economic activity of all sorts. These obstacles prevent the full impact of macro or first tier reforms from being realized, and also undermine the impact of donor interventions assist farmers and strengthen SMEs.

Second-tier constraints adversely affect economic activity in several ways. They raise transaction costs for firms of all sizes, thereby reducing economic efficiency. They also act as bottlenecks preventing the full benefits of macro changes such as a liberalized policy environment and improved infrastructure from being realized at the firm and farm level. For example, improved roads are of limited benefit to farmers if the expansion of private truck transport is impeded by onerous licensing requirements. Similarly, the economic impact of donor interventions to strengthen RNFEs will be limited if complex licensing systems compel this enterprises to remain in the informal sector. Casting the net of the Roadmap approach to cover these broader second tier constraints can measurably strengthen the impact of other donor interventions and enhance the prospects for economic growth.

***End Notes***

[1] Interview in Washington, DC, November 15, 1998.
[2] Interview with Grant Morrill in Washington, DC, November 15, 1998.
[3] As evidenced, *inter alia*, by the Administration's strong role in the Uruguay Round trade negotiations creating the World Trade Organization; creation of the North American Free Trade Association (NAFTA); and the Africa-focused "Partnership for Economic Growth and Opportunity" Initiative.
[4] Telephone interview, November 19, 1998.
[5] Internal memorandum from The Services Group to Edward Spriggs, Mission Chief, USAID Namibia, ?????, p. 3.
[6] Ibid, p. 4.
[7] The Services Group, Investor Roadmap Global Benchmark study, conducted for USAID (forthcoming).
[8] While Hammer and Champy assert that fragmented processes, not bureaucracy are "the problem," they also point out that by reengineering these processes so that they are no longer fragmented, a company can "eliminate bureaucracy and flatten the organization." Michael Hammer and James Champy, Reengineering the Corporation, pp. 40, 48.